

## PRESIDENTIAL ACTION

- Today President Bush is announcing his decision to impose temporary safeguards to help give America's steel industry and its workers the chance to adapt to the large influx of foreign steel. This relief will help steelworkers, communities that depend on steel, and the steel industry adjust without harming our economy.

### BACKGROUND ON THE PRESIDENT'S DECISION

- Free trade is a cornerstone of President George W. Bush's agenda to help generate jobs for American workers, open markets to American products and services, and spur economic growth. While free trade is an engine of economic growth, sometimes changes in global economic conditions and large increases in imports can have dramatic consequences on industries, and this has been the case with America's steel industry.
- Foreign steel producers, often nurtured by government subsidies that have allowed them to build huge amounts of excess capacity, have flooded the U.S. market with imports, seriously affecting U.S. steel producers, workers and communities. Since 1998, firms accounting for thirty percent of U.S. steel-making capacity have filed for bankruptcy. Domestic steel prices in the last quarter of 2001 were at their lowest levels in 20 years, and a number of integrated and mini-mill producers posted significant fourth-quarter financial losses last year.
- Last June President Bush asked the International Trade Commission (ITC) to investigate the effects of imports on America's steel industry and its workers. The ITC found that imports are a substantial cause of serious injury to the U.S. steel industry.
- President Bush has decided to impose temporary safeguard measures on key steel products to provide appropriate relief to those parts of the U.S. steel industry that have been most damaged by import surges. This relief is being provided in response to the injury findings of the ITC and is consistent with the President's free trade agenda and his commitment to enforcing U.S. trade laws to help maintain the competitiveness of the U.S. economy.
- These types of temporary safeguard measures are expressly allowed by WTO rules -- in fact, international trade rules have provided such relief for more than 50 years. Many of our major trading partners -- including the European Union, Japan, Korea, Brazil, and India -- have imposed safeguard measures covering a wide range of products.

### THE PRESIDENT'S COMMITMENT TO WORKERS & COMMUNITIES

- Meeting the challenges and opportunities of the global steel marketplace will also require adjustment and restructuring of the American steel industry, to ensure its long-term competitiveness.
- Restructuring will impact workers and communities in which they live and we must help hard-working Americans adapt to changing economic circumstances. The President has proposed a major expansion of the National Emergency Grants program to assist workers affected by restructuring with effective job training and assistance. The President has also proposed direct assistance with health insurance costs that will be available to workers and retirees who lose their employer-provided coverage. And the President supports coordinated assistance for communities and a strengthened and expanded trade adjustment assistance program. America's workers are the most highly skilled in the world, and with effective training and adjustment assistance we will help them find better, higher paying jobs to support their families and boost our economy.

## COMPONENTS OF THE PRESIDENT'S DECISION

Consistent with U.S. international trade obligations, the Administration is announcing temporary safeguard measures on key steel products. As required by U.S. law and international trade rules, the level of relief is reduced periodically throughout the duration of the measure:

- **Flat Products**: A tariff of 30% will be imposed on imports of plate, hot-rolled sheet, cold-rolled sheet, and coated sheet. This remedy provides substantial relief for the sector of the industry that has been hardest hit by imports and which is the anchor for many struggling U.S. companies. This tariff is higher than the 20% tariff recommended by the plurality of ITC commissioners. The higher tariff enhances the ability of U.S. producers to adjust to import competition without placing an undue burden on U.S. steel consumers or on the country as a whole.
- **Tin Mill Products**: A tariff of 30% will be imposed on imports of tin mill products. The ITC commissioners were evenly divided as to whether imports were a substantial cause of serious injury to the domestic industry. As permitted by the statute, the President has decided to treat the commissioners' findings as an affirmative determination, and has therefore decided that relief is appropriate. A tariff of 30% is appropriate for the same reasons that such a tariff is appropriate for other flat products.
- **Hot-Rolled Bar and Cold-Finished Bar**: A tariff of 30% will be imposed on imports of hot-rolled bar and cold-finished bar. This tariff is higher than the 20% tariff recommended by the plurality of ITC commissioners. The higher tariff enhances the ability of U.S. producers to adjust to import competition without placing an undue burden on U.S. steel consumers or on the country as a whole.
- **Rebar**: A tariff of 15% will be imposed on imports of rebar. This tariff is higher than the 10% tariff recommended by the plurality of ITC commissioners. The higher tariff enhances the ability of U.S. producers to adjust to import competition without placing an undue burden on U.S. steel consumers or on the country as a whole.
- **Certain Tubular Products**: A tariff of 15% will be imposed on imports of certain welded tubular products. This tariff will provide a higher level of relief than the tariff-rate quota recommended by a majority of ITC commissioners.
- **Carbon and Alloy Fittings and Flanges**: A tariff of 13% will be imposed on imports of carbon and alloy fittings and flanges. This tariff is equal to the tariff recommended by the plurality of ITC commissioners. This tariff is sufficient to facilitate industry restructuring without unduly burdening U.S. steel consumers or the country as a whole.
- **Stainless Steel Bar**: A tariff of 15% will be imposed on imports of stainless steel bar. This tariff is equal to the tariff recommended by the plurality of ITC commissioners. This tariff is sufficient to facilitate industry restructuring without unduly burdening U.S. steel consumers or the country as a whole.
- **Stainless Steel Rod**: A tariff of 15% will be imposed on imports of stainless steel rod. This tariff is lower than the tariff recommended by the three commissioner plurality. Given the conditions prevailing in the domestic stainless steel market, this tariff is sufficient to facilitate industry restructuring without unduly burdening U.S. steel consumers or the country as a whole.
- **Stainless Steel Wire**: A tariff of 8% will be imposed on imports of stainless steel wire. The commissioners were evenly divided as to whether imports were a substantial cause of serious injury to the domestic industry. As permitted by the statute, the President has decided to treat the commissioners' findings as an affirmative

determination, and has therefore decided that relief is appropriate. This tariff is sufficient to facilitate industry restructuring without unduly burdening U.S. steel consumers or the country as a whole.

- **Slab:** Imports of slab will be subject to a tariff rate quota (TRQ). The in-quota volume will be set at 5.4 million short tons. The out-of-quota tariff will be 30%. A majority of ITC Commissioners recommended a tariff-rate quota on slab, with an in-quota volume roughly equivalent to imports in 2000 and an out-of-quota tariff of 20%. Slab is an input for a key segment of the domestic industry. Given market circumstances, including the level of current demand, the TRQ announced today is sufficient to ensure continued access to slab without undermining the relief applied to other flat products.

### *Other Provisions*

**FTA partners.** For those products where the ITC recommended the inclusion of a NAFTA partner, or reached a tie decision on whether NAFTA imports should be excluded, the Administration asked for supplemental information on whether imports from countries besides Canada and Mexico were by themselves a substantial cause of serious injury to the domestic industry or threat thereof. The ITC found in each case that they were. Based on these findings and the specific factors enumerated in the statute, and consistent with the obligations of the United States under its free trade agreements and the WTO, the President has determined that our FTA partners should be excluded from the relief on all products.

**Imports from developing countries.** Consistent with WTO rules, the Administration will exclude from the relief imports from developing countries that exported only small amounts of steel to the United States and that are WTO members.

**Import licensing and surge protection.** The President will impose an import licensing system to allow the U.S. government to obtain more timely information about changes in steel trade trends for products covered by the relief. The President will closely monitor imports to ensure that the purpose of the 201 remedy is not undermined, and retains the discretion to impose safeguard measures on products from excluded countries should imports of such products surge during the duration of the relief. This system will also help guard against transshipment.

**Duration.** The safeguard measures will remain in place for three years, rather than the four years recommended by the ITC. In light of the strength of the relief imposed, the President has determined that a remedy of three years is appropriate.

**Product exclusions.** The President retains the discretion to consider requests for product exclusions within 120 days after the date of the Proclamation and will consider requests for product exclusions each year thereafter. This will help ensure that U.S. consumers have access to needed products.

**Trade remedy laws.** The Administration will continue to enforce vigorously our anti-dumping, countervailing duty and other trade remedy laws.